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News Release

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Nowthen woman sentenced for tax evasion

MINNEAPOLIS— A 62-year-old Nowthen woman was sentenced last week in federal court for tax evasion and willful failure to file taxes for tax years 1989 through 2003. On Sept. 27, 2007, United States District Court Judge Michael J. Davis sentenced Karen Jean Petersen to a 33-month prison sentence, along with three years of supervised release and a \$7,500 fine.

Petersen and her husband, Charles, were indicted in March of 2005 by a federal grand jury for conspiracy to evade taxes and conspiracy to fail to file tax returns. In March of 2006, a jury convicted the Petersens on those charges. After their convictions, Charles and Karen Petersen failed to appear at a scheduled sentencing hearing, and remained fugitives until their arrest by U.S. Marshals on Dec. 6, 2006. Charles Petersen died before he could be sentenced.

According to the indictment, Petersen deceitfully hide and conceal the source of her business income and expenses by, among other methods, conducting her financial affairs through sham trusts, titling assets in the names of the sham trust, and conducting financial affairs in cash.

In 1984 the Petersens formed the Pursue Enterprises Trust, which purportedly was the legal entity performing the house framing work of Charles Petersen. In an attempt to leave no records of business income or expenses, checks for the work done by Charles Petersen were made payable by home building general contractors to Pursue Enterprises. The Petersens, acting as the Trust, would negotiate checks for cash, and then use the money to purchase postal money orders for payment of personal and business expenses.

The Petersens also conspired to evade taxes and conspired to fail to file federal income tax returns for calendar years 1989 through 1995. Following an IRS audit in 1996, the Petersens were assessed \$181,563 in back taxes, interest and penalties due to their evasion.

The case is the result of an investigation by the Internal Revenue Service, Criminal Investigations Division, and was prosecuted by former Assistant U.S. Attorney John Docherty and Assistant U.S. Attorney Timothy Rank.